

Policy and Sustainability Committee

10.00am, Tuesday, 1 November 2022

Edinburgh and South East Scotland City Region Deal Annual Report 2021/22

Executive/routine Wards Council Commitments	Routine All
---	----------------

1. Recommendation

- 1.1 To note the summary findings of the fourth annual report for the Edinburgh and South East Scotland City Region Deal for 2021/22.

Andrew Kerr

Chief Executive

Contact: Andy Nichol, Programme Manager, Edinburgh and South East Scotland City Region Deal

E-mail: andy.nichol@edinburgh.gov.uk | Tel: 0131 529 4461

Report

Edinburgh and South East Scotland City Region Deal Annual Report 2021/22

2. Executive Summary

- 2.1 This report summarises the key findings from the appended City Region Deal Annual Report for 2021/22. The report was published on 29 August 2022 and approved by the City Region Deal Joint Committee on 2 September 2022. It updates on performance management arrangements for the Deal. It also updates specifically on those projects for which the City of Edinburgh Council is the lead partner.

3. Background

- 3.1 The Edinburgh and South East Scotland City Region Deal was signed by the First Minister, Prime Minister and City Region Leaders on 7 August 2018.
- 3.2 Each year, City Region Deal partners are required to produce an annual report to assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region.
- 3.3 The report was published on 29 August 2022. Its findings were noted by the City Region Deal Joint Committee on 2 September 2022.
- 3.4 The report will form the basis for the third Annual Conversation between the Scottish Government, UK Government and Scotland Office and City Region Deal partners at senior level, which is expected to take place later in 2022.

4. Main report

Overview

- 4.1 The Annual Report for 2021/22 is an overall progress report for the City Region Deal programme between 1 August 2021 and 31 July 2022, with the exception of the Financial Statement which contains financial information for the financial year 2021/22.

- 4.2 It contains: a City Region Deal overview; Financial Statement; a short summary of progress on each project and programme; updates on the Regional Prosperity Framework and the approach towards measuring Benefits Realisation; and expected milestones to be achieved in the next year. This year, as more projects move into delivery, [ten case study videos](#) are included in the report to demonstrate how the Deal's projects and programmes are benefiting individuals and communities.
- 4.3 The report demonstrates significant progress across the 20 projects and programmes within the City Region Deal. While cost inflation has affected the budget of some of the projects which are in delivery, at the financial year end 2021/22, all were considered to be within acceptable time and budget parameters:
- 4.3.1 Two projects were in Stage 1: Define, which means that the project's business case is yet to be completed (six in 2021);
 - 4.3.2 15 were Stage 2: Implement, which means that the project's business case has been approved by Joint Committee and is in the process of being implemented (13 in 2021);
 - 4.3.3 Six were Stage 3: Deliver, which means that the project has been implemented and is working towards delivering its objectives (five in 2021);
 - 4.3.4 14 projects were considered to be on target to be completed on time (green score) or have been completed on time (14 in 2021);
 - 4.3.5 Nine projects were delayed, but considered to be within an acceptable range, with management action in place to address the issue (amber score) (10 in 2021);
 - 4.3.6 19 projects were considered to be on target to be completed within the specified budget (green score) or have been completed within the specified budget (19 in 2021); and
 - 4.3.7 Two projects were projected to cost more than the specified budget, but considered to be within an acceptable range, with management action in place to address the issue (amber score) (two in 2021).
- 4.4 The City of Edinburgh Council has a direct interest in the projects listed in Table 1; a link to the page number in the annual report for further information is included:

Table 1: Summary of Projects with CEC Interest (April 2022)

Project	Total Cost (£m)	Govt Contribution (£m)	CEC Contribution (£m)	Stage	On Time?	On Budget?	Further Information*
Integrated Regional Employability and Skills Programme	£25m	£25	£0	3. Deliver			pp. 26-29
A720 Sheriffhall	c.£120m	£0	£0	Define			p. 30
West Edinburgh transport	£36	£20	£16	Define			p. 31
Dunard Centre	£45	£20	£5	2. Implement			p.32
Edinburgh Living	£263m	£15	£248m**	3. Deliver			p. 33
Granton Housing**	TBC	TBC	TBC	1. Define	N/A	N/A	p. 33

* Page number of Annual Report

**On-lending, not investment.

***One of seven identified strategic housing sites across the region, may partly be funded by a £50m infrastructure loan fund, managed and administered by Scottish Government.

Key:

Project Stages

Stage no.	Definition
1. Define	Business case being developed, and not yet approved by Thematic Board and Joint Committee.
2. Implement	Business case has been approved by Thematic Board and Joint Committee, and is being implemented. In a capital project, this may be construction; for skills projects this may be establishing a course or system.
3. Deliver	Project is in place and benefits realisation framework to assess if it is achieving its objectives.
4. Legacy	Project has resulted in mainstreaming or improvements to business as usual (impact) that is generated beyond the funded period

Red, Amber, Green

T: Status against **timeline** set out in business case/implementation plan; B: Status against **budget** set out in financial plan

RAG Status	Definition - Timeline	Definition - Budget	Action Required
Green	In line with business case/implementation plan	In line with spend set out financial plan for the current financial year.	No management action required
Amber	Delay exists but is considered acceptable by PMO.	Spend is within acceptable range from what is set out financial plan for the current financial year. Project lead is confident that spend will be to profile at financial year end.	Management action is in place by senior management to address issues, and project is being closely monitored.
Red	Delay is significant.	Spend is outwith acceptable range from what is set out financial plan for the current financial year. Project lead does not consider that spend will be to profile at financial year end.	Immediate action is required by senior management and relevant Boards as appropriate to address issues. Issues must be highlighted to Government.

4.5 Of the projects above, the City of Edinburgh Council is the lead partner for two projects: West Edinburgh Transport Improvement and Dunard Centre. The approved 2021/22 five-year Capital Investment Programme includes a budget provision £5 million as a contribution to support delivery of Dunard Centre and a £16 million budget provision to support the delivery of public transport improvements detailed in the West Edinburgh Transport Appraisal.

- 4.6 An update on progress on projects which affect the City of Edinburgh Council is set out below.

Integrated Regional Employability and Skills (IRES) Programme

- 4.7 The cross-regional IRES partnership is funded by £25 million investment (over eight years) and aims to deliver an additional 14,700 skill improvements; 5,300 people into employment and a further 500 career enhancements.
- 4.8 The annual report showed that the IRES programme has already supported 18,062 people to improve their skills through training and/or education, helped 620 people into work and secured an additional £4.3m funding to enhance IRES activity. The IRES programme continues to evolve, streamline, and integrate the region's employability and skills system to enhance our capacity and capability to drive inclusive growth and create added value for stakeholders.
- 4.9 Within the IRES programme, one of its seven themes, Integrated Employer Engagement (IEE) Programme, made some significant progress. IEE launched the [ESESCommunities](#) portal in November 2021, engaging with suppliers of public contracts across the region to encourage responses to local community needs and requests. This portal offers a voice and platform to community causes, charities and third sector organisations and encourages the delivery of innovative community benefits across the region as explained in [this video](#). Community benefits remain at the core of activity and an example can be seen through the collaboration with [The National Robotarium](#).

A720 Sheriffhall

- 4.10 The Scottish Government's commitment through the City Region Deal includes £120 million to support improvements to the A720 Edinburgh City Bypass for the grade separation of Sheriffhall Roundabout. The project is being delivered by Transport Scotland and is subject to Transport Scotland's normal governance procedures.
- 4.11 Over the year, continued engagement with City Region Deal partners, on progress and technical scheme developments took place; formal responses were issued to all objections made to the draft Orders and Environmental Statement; and a request lodged with the DPEA to initiate arrangements for a Public Local Inquiry (PLI) to be held and a Reporter has been appointed. The report notes that the PLI may take place in late-2022 but the timescales are not yet confirmed.
- 4.12 Transport Scotland reports on progress to the City Region Deal Joint Committee every six months. The last update was provided on [24 June 2022](#).

West Edinburgh Transport Improvement Programme (WETIP)

- 4.13 West Edinburgh is recognised by the Scottish Government as a key national economic asset and perhaps the most important gateway to Scotland. National Planning Policy set the long-term vision for development and investment across Scotland and cites West Edinburgh as a significant business investment location with potential to be internationally competitive, in recognition of its key gateway

function Edinburgh Airport and the scale of adjoining land identified as development.

- 4.14 The vision for West Edinburgh and the unlocking of the proposed business and residential development will be delivered through an integrated package of transport intervention measures. These interventions are centred around sustainable transport enhancements along the A8/A89 corridor between Broxburn and Maybury to provide long term resilience and support strong connectivity between neighbouring authorities.
- 4.15 The annual report notes progress in developing the West Edinburgh Transport Improvement Programme Business Case. In August 2022, Stage 1a of the Outline Business Case (OBC) was completed, and Stage 1b was in the process of mobilisation. Stage 1b will appraise the remaining four parts of the OBC, deliver a Detailed Options Appraisal, Preliminary Design of interventions, and will include a substantial stakeholder engagement and public consultation exercise. A full-time project manager is being appointed to take this forward.
- 4.16 A detailed update presentation on WETIP was taken to the Edinburgh and South East Scotland City Region Deal Joint Committee on 2 September 2022. This set out the background to the project, current stage in developing the business case, expected interventions and next steps. The webcast [can be viewed here](#).
- 4.17 As the City of Edinburgh Council is lead partner for the project, business cases and progress updates will be taken to the Transport and Environment Committee for approval and consideration as well as the City Region Deal Joint Committee.
- 4.18 The upcoming expected milestones are shown in Table 2:

Table 2: WETIP Expected Milestones

Expected Date Of Achievement	Milestone
Mar 2023	Stage 1b finalise Outline Business Case
June 2023	Report Outline Business Case to Transport and Environment Committee
Sep 2023	Report Outline Business Case to City Region Deal Joint Committee
Oct 2023	Commence Stage 2: Final Business Case Subsequently progress the detailed design of projects; site investigations; and attainment of necessary statutory powers in order to implement improvements and Procurement of Contractors.
Q2 2025	Infrastructure Construction commences

Dunard Centre

- 4.19 Edinburgh has an international cultural reputation, attracting artists and audiences from around the world. But it is over 100 years since it last opened a purpose-built concert hall, and with cities around the world investing heavily in cultural infrastructure, adding 21st Century facilities to the region’s existing venue infrastructure is essential to maintaining and enhancing Edinburgh’s status as a world class cultural capital.

- 4.20 With seating for 1,000 people, and fully equipped with state of the art digital and broadcast facilities, the Dunard Centre will be a transformational new home for music for the city region as well as the Scottish Chamber Orchestra, and an iconic venue for Edinburgh International Festival. Its education and outreach programme will deliver learning and engagement opportunities across the region. Located in St Andrew Square, it will contribute to the opening up of the East End of the City complementing the reinvigorated commercial developments of the Square, St James Quarter and Register Lanes.
- 4.21 The annual report notes significant progress over the course of the past year: IMPACT Scotland, the charity established to develop and then operate the new hall, continued to oversee the development of the design for the venue. The scheme received planning consent in November 2021: Stage 4 Design commenced in January 2022, the Business Case was approved by the City Region Deal Joint Committee in March 2022; and commencement of pre-construction services agreement began in April 2022.
- 4.22 As the City of Edinburgh Council is lead partner, the business case was noted at the Culture Communities Committee on [1 February 2022](#) and Committee and the business case and funding package was noted by the Finance and Resources Committee on [3 March 2022](#). Updates will be taken to Culture and Communities as the project progresses.
- 4.23 The upcoming milestones for Dunard Centre are shown in Table 3:

Expected Date of Achievement	Milestone
Jun 2022	Delivery of RBS Enabling works
July 2022	Commencement of the Annex building site clearance and demolition works
2023	Main construction starts
End 2026	Construction ends

Regional Housing Programme – Granton Waterfront Strategic Site

- 4.24 The City Region Deal's Regional Housing Programme aims to accelerate the delivery of affordable housing and housing across all tenures, enable the development of seven major strategic housing sites and drive efficiencies across the public sector estate. Two strategic objectives are identified for the Regional Housing Programme: deliver a step change in innovation and inclusive growth in the housing and construction sectors; and deliver a step change in the supply of new homes across the South East of Scotland. Of the seven strategic sites, one (Granton Waterfront), is located in the City of Edinburgh.
- 4.25 The annual report notes significant progress in developing Granton over the year. The outline business case for Granton Waterfront was approved by the Council's Policy and Sustainability committee on [5 October 2021](#) and was noted by the City Region Deal Joint Committee on [3 December 2021](#). This agreed to undertake stage 3 activities, to produce a Full Business Case for Phase 1 'Heart of Granton', which

will include procurement of a development partner and progression of the business case stages for a low carbon district heat network. Additionally, construction on 75 net zero homes began in Granton Waterfront began in June 2022. This is the first pilot development in the Edinburgh Home Demonstrator (EHD) Project. The collaboration between local and national government, academia and the construction industry is testing a new model for designing, procuring and delivering new homes in the region to create a greener future. In total, 605 homes were approved in Granton Waterfront: 334 for social rent; 259 for mid-market rent; and 12 for market.

Regional Housing Programme – Edinburgh Living

- 4.26 As part of the City Region Deal agreement, the Scottish Government provided a funding package of £16.1 million capital grant and consent for the City of Edinburgh Council to on-lend up to £248 million to establish a new housing company (Edinburgh Living) with Scottish Futures Trust to deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels. This is an essential requirement for meeting the housing needs of key workers and those on low to middle incomes who cannot access home ownership and are not a priority for social rent.
- 4.27 Edinburgh Living has now drawn down all of the one off grant of £16.1m. 350 of the 728 mid-market rent homes have been delivered already with around 170 more homes expected to complete in 2022/23 with the remaining homes in design and development.

Achievements Beyond the Deal's Projects in 2021/22

- 4.28 As well as delivering on the projects in the Deal, the annual report demonstrates that the Governance structure, established to manage City Region Deal activity, has also enabled effective and strong regional partnership working on important cross-regional activities, including:
- 4.28.1 Developing and publishing a Regional Prosperity Framework for Delivery which will be a catalyst for Regional Prosperity (led by a cross-regional officers' team, steered by the Regional Enterprise Council and overseen by the Elected Member Oversight Committee);
 - 4.28.2 Establishing a series of regional propositions for the region's six local authorities to bid into together to the UK Government's [Shared Prosperity Fund](#) over the next three years;
 - 4.28.3 Launching the [ESESCommunities](#) portal to assist with delivering community benefits across the programme;
 - 4.28.4 Contributing our regional perspective to key consultations including National Planning Framework 4; the National Strategy for Economic Transformation; and the Strategic Transport Projects Review 2;
 - 4.28.5 Joint Committee [endorsing the Forth Green Freeport](#) bid to boost innovation and inclusive growth within our communities; and

4.28.6 Establishing a regional Bus Service Improvement Partnership to deliver £3.03m of regional bus improvements from the Scottish Government's [Bus Partnership Fund](#).

Expected Deal Achievements in 2022/23

- 4.29 Looking ahead towards 2022/23, significant developments in project delivery are expected including:
- 4.29.1 Completion of business units at Hillend and Donibristle Industrial Estate, Dalgety Bay as part of the Fife Industrial Innovation programme by September;
 - 4.29.2 Official opening of the National Robotarium in September 2022;
 - 4.29.3 Launch of Helix.scot platform to provide employability partners across the city region with a joined up, regional platform, which will run in parallel with the Customer Relationship Management System by October 2022;
 - 4.29.4 Public Local Inquiry for A720 Sheriffhall roundabout to be held in late 2022/early 2023;
 - 4.29.5 Completion of junction works at Queen Margaret University for Food and Drink Innovation Hub in January 2023, and the commencement of the construction of the hub itself in July 2023;
 - 4.29.6 Completion of the West Edinburgh Transport Improvement Plan Outline Business Case in Summer 2023;
 - 4.29.7 Completion of the Usher Institute building in July 2023; and
 - 4.29.8 Three new learning pathways piloted by The Housing and Construction Infrastructure project to be deployed as national programmes, upskilling 200 people working in construction within the region.

Independent Evaluation and Audit

- 4.30 Paragraph 3.26 of the [Edinburgh and South East Scotland City Region Deal Document](#) states that an independent evaluation of the Deal should be undertaken every five years. The joint UK/Scottish Government Scottish City Region and Growth Deal Delivery Board has, however, written to all Deals to clarify and standardise performance management arrangements. The letter makes direct reference to this Deal in the following terms:

Edinburgh and South East Scotland – Independent Evaluation

As you will know, paragraph 3.26 of the Edinburgh and South East Scotland City Region Deal Document states:

“Every five years, an independent evaluation of the City Region Deal will be undertaken to capture progress and identify priorities for the next phase of delivery. The Governments will work with the Joint Committee to set the terms of the evaluation and consider its recommendations. Both Governments reserve the right to halt funding in the event that outcomes and targets are not being met.”

The Board have recognised the proficient delivery of the Deal so far, alongside the advanced work carried out on the Benefits Realisation Plan and associated resourcing. We have therefore taken the

decision to remove the requirement for an independent evaluation, as is stated in the Deal Document.

- 4.31 The Annual Conversation with Government, at which information gained through the Benefits Realisation monitoring and the progress and successes of the Deal to date is discussed, is scheduled for Autumn 2022.
- 4.32 The Grant Offer Letter for 2022/23 introduced a requirement “*In addition to compliance with normal internal and external audit controls*” that “*the Edinburgh and South East Scotland City Region Deal should be subject to an audit, the focus of which will be determined by the Accountable Body’s Internal Audit Team. We would expect the Edinburgh and South East Scotland City Region Deal to form part of the Accountable Body’s Risk Based Internal Audit Plan every second year as a minimum.*”
- 4.33 At its meeting on 2 September 2022, The Edinburgh and South East Scotland City Region Joint Committee that it would be appropriate to conduct an audit of the Integrated Employer Engagement project within the Integrated Regional Employability and Skills Programme by the end of the 2022/23 financial year. A proposed scope and terms of reference for the audit will be considered by the Joint Committee on 2 December 2022. Joint Committee will thereafter consider the focus of subsequent audits against the Risk Register and audit plans for the Deal. The outcome of the internal audit will be reported to the Governance, Risk and Best Value Committee.

5. Next Steps

- 5.1 Key priorities for the year ahead are summarised in Section 6 of the Annual Report and copied below:

City Region Deal Expected Milestones until Summer 2023

Date	Milestone
Summer 22	Opening of First building at Borders Innovation park (now completed)
Sep 22	Joint Committee meeting where the following items will be considered: <ul style="list-style-type: none"> • City Region Deal Annual Report 2021/22 • Regional Prosperity Framework Implementation Plan • City Region Deal Transport Programme Update (now all completed)
Sep 22	First cohort of postgraduate taught students to be welcomed at the Edinburgh Futures Institute (now completed)
Sep 22	National Robotarium fully operational and official launch (now completed)
Sep 22	Completion of Business Units at Hillend & Donibristle Industrial Estate, Dalgety Bay (now completed)
Dec 22	Joint Committee meeting where the following items will be considered: <ul style="list-style-type: none"> • A720 Sheriffhall roundabout progress update

	<ul style="list-style-type: none"> Integrated Regional Employability and Skills Programme Update (presentation)
Late 22/early 23	Public Local Inquiry for A720 Sheriffhall to be held
Mar 23	<p>Joint Committee meeting where the following items will be considered:</p> <ul style="list-style-type: none"> Data-Driven Innovation Programme Update (presentation) Benefits Realisation six-monthly update.
Mar 23	Draft Outline Business Case for West Edinburgh Transport Improvement Programme to be complete
Jul 23	Usher building construction complete
Jul 23	<p>Through the Agritech Hub at Easter Bush, the following will have been achieved:</p> <ul style="list-style-type: none"> Established a Centre for Aquaculture Genetics and Health, developing a business plan to enable a step change in the aquaculture genetics activity. Established a Centre for Data-Driven Breeding, developing a business plan to enable a step change in the genetic livestock breeding activity. Developed Agri and Aqua accelerator schemes, to enable the next stage of company formation on campus

6. Financial impact

- 6.1 There is no financial impact relating to the Annual Report for the City of Edinburgh Council. The Financial Statement shows that £58.19 million of Government money was drawn down in 2021/22, in line with the financial plan.
- 6.2 At Q1 2022/23, the capital drawdown of government funds totalled £208 million or 53% of the capital funding routed through the Accountable Body (£390 million).
- 6.3 The approved 2021/22 five-year Capital Investment Programme includes a budget provision £5 million as a contribution to support delivery of Dunard Centre and a £16 million budget provision to support the delivery of public transport improvements detailed in the West Edinburgh Transport Appraisal. No financial contribution will be required from the City of Edinburgh Council for the Sheriffhall project and the Integrated Regional Employability and Skills programme.
- 6.4 The £50 million predominantly private sector housing infrastructure loan fund, managed and administered by Scottish Government, is proving of limited interest to the private sector due to the commercial terms of the loan.
- 6.5 It is recognised that need for continued financial innovation and collaboration to develop new infrastructure funding and delivery models. Further discussion is taking place UK and Scottish Government to explore future housing and infrastructure funding and delivery options.
- 6.6 Construction inflation is significantly impacting projects across the national City Region and Growth Deal programme. Scottish and UK Governments have advised that there is no additional funding available beyond commitments set out in Grant Offer letters. Governments have encouraged projects to maximise funding available from other funding streams. ESES projects are managing the increased costs by value engineering, optimising work packages and contingencies.

7. Stakeholder/Community Impact

- 7.1 Inclusion and sustainability are key drivers for the City Region Deal, and strategic added value scores have been included for each project. Business cases for projects included demonstrate how they will reduce inequalities and tackle the inclusion challenges specific to the city region.
- 7.2 The [City Region Deal Benefits Realisation Plan](#) (BRP) was approved on 4 September 2020. This incorporates indicators that align with the Scottish Government's Inclusive Growth Framework. The impact on equalities, human rights and sustainability will also be measured. Updates will be provided to Joint Committee from March 2023.
- 7.3 Scottish and UK Government provided joint guidance for project owners on managing potential carbon emissions associated with Scottish City Region and Regional Growth Deal projects. It accords with HM Treasury Green Book requirements and supports the quantification and minimisation of whole life carbon and the identification of potential barriers to achieving net zero. This will form an important part of regular reporting through the Benefits Realisation Plan.

8. Background reading/external references

- 8.1 [City Region Deal Document \(August 2018\)](#)
- 8.2 [Previous Joint Committee Papers and webcast link](#)
- 8.2 [Benefits Realisation Plan for City Region Deal](#)

9. Appendices

- 9.1 Appendix 1 - City Region Deal Annual Report 2021: accessible or view [interactive version](#)